
THE FEDERAL BUDGET AND THE CITIES

*A Review of the President's Budget
Fiscal Year 1992*

October 1, 1991 to September 30, 1992

February 1991



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Preface

This report, *The Federal Budget and the Cities*, examines the President's proposed budget from a suburban and urban perspective. It begins with a general overview of the budget and then addresses the various federal functions that are present in the nation's cities.

The budget is the single most important federal document published each year. It is the vehicle for formulation of national economic and fiscal policy and represents the most significant and comprehensive collection of the priority decisions that the United States government makes in the course of the year.

The budget analysis is prepared by the staff of The U.S. Conference of Mayors. The Conference, established in 1933, represents cities, large and small, in every region of our nation. Judgments made in this analysis are based on bipartisan policies adopted by the mayor members of the Conference.

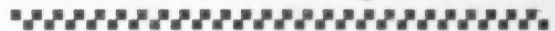
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OVERVIEW

The Bush Administration's proposed \$1.446 trillion budget for Fiscal Year 1992 would increase federal spending overall by 2.6 percent, consistent with the five-year deficit reduction law enacted in the fall of 1990.

The budget projects a deficit of \$280.9 billion, a drop of \$37.2 billion from this year's expected deficit of \$318.1 billion. According to the Administration, the record FY91 deficit has worsened over the past several months due in large measure to a \$105.5 billion increase in outlays for thrift and bank insurance costs combined with a decrease of \$87 billion in estimated receipts produced by the current weaker economy. Further, the Administration will be submitting a supplemental appropriation request to cover the costs of Desert Shield/Desert Storm which, for purposes of accounting under the new budget law, would be treated as an off-budget item, but could further increase the deficit.

Within the overall increase for FY92, defense spending is reduced 2.4 percent, domestic spending is increased 6.1 percent, and international spending is increased 4.7 percent. The budget proposes increasing federal grants to state and local governments from this year's estimated \$161.5 billion to \$173.7 billion.

"In a world of fixed spending caps," says Office of Management and Budget Director Richard Darman, "there will be no room for emerging priorities if the programs of old remain immortal." The budget, therefore, proposes the outright elimination of 238 domestic discretionary programs funded this year at \$4.6 billion, reductions of \$8.3 billion in 109 programs funded this year at \$27.4 billion, and increases totaling \$17.8 billion for 250 programs.

Proposed State Block Grant

President Bush has proposed that \$15 billion in federal programs be turned over to the states for administration. The budget document lists potential programs for turnover:

- Community Development Block Grant
- Selected public and subsidized housing programs
- State and local drug enforcement assistance
- EPA construction grants
- Impact Aid payments
- Supplemental Education Opportunity Grants
- Chapter 2 education block grant
- Public Library Services
- Low Income Home Energy Assistance
- Social Services Block Grant
- State welfare administration expenses for Medicaid, AFDC and food stamps.

Funds for some of the programs listed are already administered by the states, but for others, like CDBG, a shift to state-level administration of all funds would represent a significant change in the current federal-local relationship.

The Administration is silent on the subject of the latitude that would be given to governors and state legislatures to change existing sub-state allocation formulas or other conditions governing the distribution of the federal funds.

All of the programs suggested for turnover to the states are subject to review by the Congress. If Congress chooses to turn programs over to the states, those programs would be consolidated into a single block grant to the states.

The budget is presented as a step toward a "new domestic order" and proposes "reforms" in education, research and development, the financial sector, savings and investment, entitlements, health, drug abuse, housing, transportation infrastructure, and governmental management. Some of these reforms would have direct impacts on cities; all would have some impacts on the people living in them.

Among budget proposals of interest to cities:

- The Community Development Block Grant would be cut from the current \$3.2 billion to \$2.92 billion, and no funds are requested for the Section 108 Loan Guarantee program, funded this year at \$140 million.
- The Homeownership and Opportunity for People Everywhere program (HOPE) would be funded at its fully authorized level of \$2.1 billion, and the HOME Investment Partnership program would be funded at \$1 billion, half of its authorized level. To fund the HOPE and HOME programs in the current fiscal year, the Administration would rescind \$500 million of the FY91 public housing new construction funds.
- Tax proposals include a slightly modified capital gains tax, a one-year extension of the Low Income Housing Tax Credit, tax breaks for 50 Enterprise Zones, Targeted Jobs Tax Credits,

mandatory Medicare coverage for all state and local employees, use of Individual Retirement Accounts for first-time home purchases, and establishment of Family Savings Accounts.

- Funding for McKinney Act Homeless Assistance programs would be increased by 11 percent to \$776.3 million. The Shelter Plus Care program and several different McKinney Act programs would be consolidated in an omnibus block grant administered by the Department of Housing and Urban Development.

- Total anti-drug funding would increase by 11 percent, from \$10.5 billion in FY91 to \$11.7 billion in FY92. Within this, state and local anti-drug enforcement grants would remain at the FY91 level of \$490 million while funds for the Drug Enforcement Administration, the Federal Bureau of Investigation and the Organized Crime Drug Enforcement Task Forces would increase. Drug treatment funds under the Alcohol, Drug Abuse and Mental Health Block Grant would remain at the current level of \$512.3 million, and while no funds are requested for the current \$38.5 million waiting list reduction program, \$99 million is sought for a new treatment capacity expansion initiative. State grants under the Drug-Free Schools and Communities Act would remain at the FY91 level of \$497.7 million, and emergency grants to systems with severe drug problems would double in FY92 to \$49.5 million.



- Overall Department of Justice funding would increase 14.9 percent, to \$10 billion, in FY92, but the Office of Justice Programs which assists state and local agencies would be cut 14 percent, from \$673.8 million to \$579.6 million. While funds for the Juvenile Justice program would be cut 90 percent and the Regional Information Sharing System, the Mariel Cuban program and the Emergency Assistance program would be eliminated, increases would be given to the Drug Enforcement Administration, the Federal Bureau of Investigation and the Federal Prison System.

- \$5 billion is requested for AIDS research, prevention and treatment in FY92. This three percent increase is modest in the face of the growth of the AIDS epidemic. The bulk of the increase is in scientific research; prevention and care activities increase by only 0.8 percent.

- Infant mortality prevention, including Medicaid outlays, would increase to more than \$5 billion, or nine percent over current spending. Funding for immunizations would increase 19 percent, to \$258 million. While lead poisoning prevention and abatement efforts would increase \$33 million to five times the current funding level, only a fraction of the lead paint problems in the nation's housing would be addressed.

- Under the Administration's proposal, some human service programs would see increases in FY92, others would see cuts. Head Start would increase by five

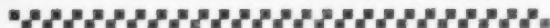
percent, Foster Care and Adoption Assistance by 8.8 percent, child welfare services by 33 percent, and welfare-related child care by 57 percent. The Community Services Block Grant would be eliminated, and Low Income Home Energy Assistance would be cut 35 percent and could be turned over to the states for administration.

- The \$30.4 billion requested for the Food and Nutrition Service is \$2.2 billion above the current funding level. The food stamp program would be increased \$1.4 billion, to a total of \$19.6 billion, to meet projected higher demands created by increased unemployment.

- With the number of refugees to be admitted to the U.S. in FY92 expected to be the same as this year, funds for the Refugee and Entrant Assistance program would remain at this year's \$411 million level. The Administration is requesting no funding for the State Legalization Impact Assistance Grants program.

- Again this year the Administration would terminate the Economic Development Administration, currently funded at \$216 million, and would eliminate nearly all direct business lending by the Small Business Administration.

- The Community Services Employment for Older Americans program would be cut 12 percent, to \$342.8 million, and funds for other Older Americans Act programs would remain at approximately the same levels.



- Funding for breast and cervical cancer prevention for low income women and the uninsured would increase 52 percent; the smoking cessation budget would double; injury prevention funding would increase 13 percent.

- Medicare funding would be cut by \$2.9 billion in FY92 and approximately \$20 billion over five years. With this cut, outlays in FY92 are estimated to be \$113.7 billion. The Administration also would mandate Medicare coverage for all state and local employees, an estimated cost to state and local governments of \$7.1 billion over the next five years.

- FY92 outlays for Medicaid are budgeted at \$59.8 billion. This represents an \$8.3 billion increase over the current fiscal year, but would be a \$67 million cut from projected outlays in the absence of legislative changes to the program proposed by the Administration in the budget package.

- Mass transit operating assistance for cities over one million in population would be eliminated, and for cities under one million, operating assistance would be broadened to include capital items such as materials and supplies. Funding for mass transit would be reduced from \$802 million in FY91 to \$296 million in FY92.

- A new Educational Excellence Act to make schools more responsive, promote choice and stimulate improvements in

educational performance would be funded at \$690 million. Reforms to the Guaranteed Student Loan program are expected to cut \$1.7 billion from the program over five years, and funds available for the loans would be cut by one-fourth, to \$3.03 billion in FY92.

- The Administration's request for Department of Energy funding in FY92 is \$18.6 billion, about one percent above the current funding level. This request includes an 83 percent cut in conservation grant programs for state and local governments, the private sector and nonprofit institutions. Most of the \$48 million requested for conservation grants is expected to be offset by recoveries from "substantiated amounts" of petroleum overcharges at the state level.

- \$4.7 billion, or \$431 million more than the current fiscal year, has been requested for environmental restoration and waste management; environment, safety and health oversight; and nuclear waste disposal.



TAX POLICY

The Administration's FY92 budget proposes revenue increases of \$73.6 billion to a level of \$1.165 trillion. Included in these proposals are numerous tax credit extensions, a family savings account provision, enterprise zones, extension of Medicare coverage to all state and local employees, and a capital gains provision.

The mandatory Medicare proposal would cost states and local governments an estimated \$7.1 billion over the next five years —approximately \$1.1 billion in FY92 and \$1.5 billion annually through 1996.

This proposal, along with a modified capital gains proposal which the Administration suggests will increase revenues to the government by \$9.5 billion through 1996, would help offset the extension of expiring tax credits.

The Administration is proposing to extend the low-income housing tax credit and the targeted jobs tax credit for one year past the current expiration date of December 31, 1991.

The budget also proposes establishing enterprise zones in 50 economically distressed urban and rural communities. These zones would be eligible for tax advantages including the elimination of capital gains for tangible investments

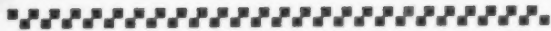
located in the zone, refundable tax credits for low-income employees, and expensing of investments in certain corporate stock issued by zone businesses.

The budget also proposes allowing early Individual Retirement Account withdrawals without penalty for a first-time home purchase up to \$10,000, so long as the home does not exceed 110 percent of the median price.

Family Savings Accounts of up to \$2,500 per year, with a limit of two per family, would be available to individuals with incomes below \$60,000 and families with incomes below \$120,000. Earnings would be excluded from taxable income while in the account and would be permanently excluded if the contribution to which they relate remains in the account for more than seven years. There would be a 10 percent excise tax penalty for withdrawal within three years of contribution.

The budget also proposes to finance the five-year Highway Trust Fund legislation which soon will be transmitted to Congress by extending the 9-cent gas tax, 15-cent diesel tax, and other excise taxes dedicated to the Trust Fund.

The budget proposal also contains \$12 billion in user fees over the next five years.



be funded at the FY91 level of \$751.9 million. Grants to Indian tribes would remain at \$14.6 million. Funds for research, training, and discretionary projects would decrease by approximately \$1 million to \$25.9 million.

Major FY92 funding requests for AIDS include:

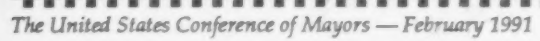
☐ \$261 million for programs administered by the Health Resources and Services Administration (HRSA), including an amount equal to FY91 funding for the Ryan White CARE Act:

- \$87.8 million for emergency relief to metropolitan areas;
- \$87.8 million for formula grants to states; and
- \$44.9 million for early intervention grants.

- ☐ \$495 million for prevention and education programs administered by the Centers for Disease Control, an amount equal to FY91 funding.

- \$245 million for programs administered by the Alcohol, Drug Abuse and Mental Health Administration, an \$8 million increase over FY91 levels.

- \$851 million for National Institute of Health AIDS research programs, a \$46 million (five percent) increase over FY91.



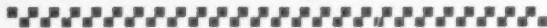
*National Endowment
for the Humanities*

Institute for Museum Services

The Administration has requested \$26.9 million for the Institute for Museum Services (IMS); this maintains current funding levels. The IMS is the only federal agency that provides support to the full spectrum of museums (including art, history, science and technology museums), zoos, planetariums, historic houses and botanical gardens. It also makes specific grants to help in the conservation, care and management of museum collections.

*Historic Preservation
Fund Program*

The Administration's FY92 budget request calls for \$35.9 million for the Historic Preservation Fund Program of the National Park Service, \$1.9 million more than enacted in FY91. The Historic Preservation Fund provides matching



grants to states and the National Trust for Historic Preservation for planning, projects and activities in historic preservation. Of the \$30.1 million that would fund state historic preservation offices, at least 10 percent has to be passed through to local governments to assist in carrying out preservation programs. The proposed increase would provide additional surveys and inventories of historic properties for potential inclusion on the National Register of Historic Places; assistance to state and local planning and development agencies which make decisions about historic properties; and technical assistance to private sector architects and developers seeking to meet the standards of the Secretary of the Interior for historic preservation construction work in order to qualify for tax credits.

BUSINESS AND ECONOMIC DEVELOPMENT

The Administration's budget once again proposes to terminate the Economic Development Administration (EDA). The agency is funded at \$216 million in FY91.

The FY92 budget proposes to eliminate nearly all direct business lending of the Small Business Administration (SBA), which would reduce subsidies by \$24 million. Guaranteed loans would still be available. In an attempt to reduce the high default rates on SBA guaranteed loans, the budget proposes to increase the share of the default risk borne by private

lenders. There also would be an increase in the current guarantee fees such as in the basic 7(a) loan guarantee program where fees would be increased from two percent to five percent of the amount of the SBA guarantee.

The budget also proposes to create and fund federal enterprise zones which would require an estimated revenue loss (tax expenditures) of \$50 million.

COMMUNITY DEVELOPMENT AND HOUSING

Community Development

The Community Development Block Grant is listed by OMB as a potential program to be turned over to the states. The FY92 budget would fund the CDBG program at \$2.92 billion, a \$280 million cut from the FY91 funding level of \$3.2 billion.

As there is no longer a program authorization for the Urban Development Action Grant (UDAG) program, the budget proposes to rescind \$13.5 million of the funds remaining for use in FY91. These funds include an estimated \$10 million of projected recaptures in FY91, and \$3.5 million of unobligated balances remaining available at the end of FY90.

There is no request for funds for Section 108 Loan Guarantees in FY92. The program is funded at \$140 million in FY91.

Housing

In addition to the funding levels for FY92, the Administration's budget proposes a budget-neutral supplemental for FY91. The fully offset FY91 request would fund the new housing programs authorized by the 1990 National Affordable Housing Act (NAHA): the Homeownership and Opportunity for People Everywhere (HOPE) and HOME Investment Partnership programs. HOPE would be funded at \$287 million and HOME at \$500 million. The budget proposes to rescind \$500 million of the

FY91 funding of public housing new construction for the FY91 supplemental appropriation requests for HOME and HOPE programs.

For FY92, the budget proposes to fully fund the HOPE program at \$2.1 billion; this includes \$865 million to fund HOPE grants at authorized levels. HOME would be funded at \$1 billion, half of its authorized level.

The budget also requests 83,680 additional household subsidies in FY92. Nearly all of these additional subsidies — 78,680 — are vouchers. There are no Section 8 Certificates requested. Congress appropriated 31,146 Section 8 Certificates in FY91.

Two thousand new construction units are requested for the Elderly and Handicapped Grants program authorized in the 1990 NAHA. No new funding is requested under the Section 202 program as a result of the new Capital Grants program authorized in NAHA.

The budget also supports the renewal of an estimated 250,389 expiring Section 8 subsidy contracts. It is estimated that this will cost \$7.024 billion.

The budget proposes to rescind the FY91 funding of rental rehabilitation grants, Nehemiah grants, urban homesteading, and the rehabilitation loan fund. While the 1990 NAHA terminates the program, it does not do so until FY92. The budget proposes to use the FY91 funding of the programs to offset the requested supplemental for HOPE and HOME.

In addition, no funding is requested for the Section 8 moderate single room occupancy (SRO) program or congregate services. Both programs are replaced by the Shelter Plus Care program of HOPE.

Public housing modernization would be funded at \$2.26 billion, a \$238 million cut from its FY91 funding level. Public housing operating subsidies are proposed to be funded at \$2.15 billion, an increase of \$50 million.

The Fair Housing Initiatives Program (FHIP) would be funded at \$8 million, while the Fair Housing Assistance Program (FHAP) would be funded at \$5 million. These two programs were funded at a total of \$12.4 million in FY91.

Disaster Assistance

The request for budget authority for disaster relief administered by the Federal Emergency Management Agency (FEMA) is \$184 million, to remain available until expended. FEMA funds are increased during the year as emergency conditions warrant.

CRIMINAL JUSTICE



The Administration's budget requests \$10.2 billion in budget authority for the Department of Justice, a 14.6 percent increase above the FY91 level. Within the Justice Department, assistance to state and local agencies is provided principally through the Office of Justice Programs. The Administration proposes to cut funding for that Office by 14 percent in, from \$673.8 million in FY91 to \$579.6 million in FY92. Within the Office of Justice Programs:

- The Juvenile Justice program would virtually be eliminated through a proposed decrease of \$72 million, or 90 percent. The budget would provide \$7.5 million for a high-risk youth program to address the problems of gangs and drugs and their relationship to the criminal justice system.

- Funds for the anti-drug enforcement grant program would remain at the FY91 level of \$490 million. This program is included on the list of programs to be turned over to the states.

- Funds for the Regional Information Sharing System, which provides aid to state and local law enforcement agencies in the exchange of intelligence information, would be eliminated altogether. This activity is funded at \$14 million in FY91.

- Funding also would be eliminated for the Mariel Cubans program, which reimburses certain states for part of the cost of incarcerating Mariel Cubans who had originally been paroled by the federal government, and for Emergency Assistance, which provides assistance to states or local governments after the Attorney General has determined that a law enforcement emergency exists.

Among other Justice Department agencies of interest to cities:

- The Drug Enforcement Administration would see an increase of 10 percent to \$909.6 million in FY92.

- Funding for the FBI would be increased by 18 percent, to \$2.3 billion in FY92. While the number of federal agents slated to be trained at the FBI Academy would increase by 24 percent in FY92, state and local officials trained at the Academy would decline by one-fourth.

- The Federal Prison System would see an increase of \$380.8 million to \$1.76 billion in FY92. Funds are included for the construction of one new federal prison complex and two detention facilities in FY92. Funds for inmate care, custody and programs would increase by \$209 million to \$1 billion in FY92.

DEFENSE



The President's budget for defense in FY92, \$290.8 billion, represents a \$5.2 billion increase over the FY91 level of \$285.6 billion. Due to accounting changes implemented in last year's budget agreement, these figures do not include the costs of Operation Desert Shield or Desert Storm.

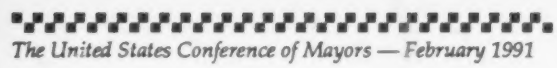
This budget assumes procurement of four B-2 Stealth bombers and 115 Advanced Cruise Missiles. This request also assumes \$4.6 billion for the Strategic Defense Initiative.

Also included in the budget request are the following:

- a 13 percent decline in active military personnel between 1990 and 1993;
- force level reductions of 25 percent by 1995;
- procurement in 1992 of 48 F-16 fighters, eight C-130 and six C-17 transport aircraft, 1000 Advanced

Medium Range Air-to-Air Missiles;

- \$3.9 billion for technology-based programs (basic and applied research);
- by FY92, an 11 percent decrease in total civilian personnel from the high point reached in 1987;
- \$634 million for implementation of the Base Closure and Realignment Act;
- \$100 million in FY92 for closure actions to be announced by the Secretary of Defense on April 15, 1991.



DRUG CONTROL



Total anti-drug budget authority is proposed to increase by 11 percent, from \$10.5 billion in FY91 to \$11.7 billion in FY92. Of the \$11.7 billion total, \$5 billion would go to the criminal justice system, \$1.7 billion to treatment, \$1.5 billion to prevention, \$779 million to international initiatives, \$2.1 billion to border interdiction and security, \$448 million to research and \$114 million to intelligence.

Among the Administration's proposals for drug control programs of particular interest to cities:

- **Enforcement:** State and local anti-drug enforcement grants would remain at the FY91 level of \$490 million. This program is included on the list of programs to be turned over to the states. Funds for federal anti-drug enforcement activities, such as those provided by the Drug Enforcement Administration, Federal Bureau of Investigation and the Organized Crime Drug Enforcement Task Forces, would be increased. The DEA would see a 7.7 percent increase, the FBI a 17.9 percent increase and the Task Forces a 19.1 percent increase.
- **Treatment:** Within the Alcohol, Drug Abuse and Mental Health Block Grant, funds for drug treatment would remain at the FY91 level of \$512.3 million and no funds are proposed for the waiting list reduction program (funded at \$38.5 million in FY91). The budget requests \$99 million for a new treatment capacity expansion initiative; \$31 million of this would be provided through a transfer from the Special Forfeiture Fund in FY92. Among other treatment programs, crisis areas would be increased by \$1 million to \$32.5 million in FY92, treatment improvement by \$3.3 million to \$86.7 million in FY92.
- **Education:** State grants under the Drug-Free Schools and Communities Act would remain at the FY91 level of \$497.7 million. Funds for emergency grants to local school systems with particularly severe drug problems would double, from \$24.3 million in FY91 to \$49.5 million in FY92.
- **Prevention:** Funds for programs administered by the Office of Substance Abuse Prevention would see a 3.6 percent increase overall, going from \$271.5 million in FY91 to \$281.6 million in FY92. The Community Partnership Program would increase by \$14.8 million to \$113.9 million, the High Risk Youth Program by \$4.1 million to \$54.8 million and services for pregnant women and infants by \$6.7 million to \$52.4 million. In contrast, funds for community youth activities would be eliminated altogether.
- **High Intensity Drug Trafficking Areas:** The Administration proposes to maintain funding for federal law enforcement efforts for high intensity drug trafficking areas at \$50 million. Funds for state and local agencies within these areas, which are at \$32 million in FY91, would be eliminated. The Administration will maintain the five areas currently designated as High Intensity Drug Trafficking Areas — New York, Los Angeles, Miami, Houston and the Southwest Border. No new designations are contemplated for FY91 or FY92.
- **Low Income Housing Drug Elimination Grants:** Funds that public housing agencies and Indian housing authorities can use to prevent and control drug-related crime would be increased by 10 percent, from \$150 million in FY91 to \$165 million in FY92.



EDUCATION

The Administration proposes \$29.6 billion in budget authority for the Department of Education for FY92, an overall increase of \$2.5 billion (9.3 percent) over the FY91 estimated level. Several new initiatives are proposed:

- A new Educational Excellence Act intended to make schools more responsive and to stimulate improvements in educational performance is proposed for funding of \$690 million. Expanding support for educational choice is a key element of the bill. It includes \$200 million to support educational certificates which would encourage state and local education agencies to expand parental choice in education and \$30 million for national demonstrations to help states and school districts determine how best to implement choice programs. The Excellence bill also includes changes in current programs, including both Chapter 1 and Chapter 2 of the Education Block Grant, to promote educational choice.

The bill also includes \$460 million for a variety of activities to improve educational excellence, such as rewards for schools that raise student achievement levels, state systems for alternative routes to teacher and administrator certification, awards for excellent teachers, innovative adult literacy activities and increased endowments for historically black colleges and universities.

- The Guaranteed Student Loan program would be reformed to overhaul program management, restore integrity to the program, reduce administrative costs and reduce government risk. These reforms are expected to cut \$1.7 billion from the program over five years.

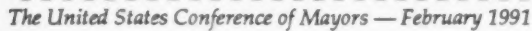
- A new program of Presidential Achievement Scholarships, which would provide \$500 for up to four years to needy students in recognition of their excellence in academic studies, is proposed at \$170 million.

While most programs of interest to cities remain at current levels or are increased, significant cuts are proposed for literacy programs, special education, and impact aid. Among the funding levels proposed:

- Chapter 1 compensatory grants to local education agencies would remain at \$5 billion. Concentration grants, which provide additional resources to schools with high concentrations of children from low income families, would increase by \$119 million (21 percent) to \$674.8 million. Chapter 2 state block grants would remain at the current level of \$448.9 million. The Chapter 2 block grant is included on the list of programs to be turned over to the states.

- Grants for Even Start, which provides funds for educational services to children under seven and basic education for their parents, would increase by 20 percent to \$60 million. These funds are currently awarded to local educational agencies, but in FY92 would go to the states on a formula basis.

- Within the School Improvement Programs, state block grants under the Drug-free Schools and Communities Act would decline slightly, from \$500.4 million in FY91 to \$497.7 million in FY92. Emergency grants, which provide special assistance to school systems with a high incidence of drug abuse, would increase from \$24.4 million in FY91 to \$49.5 million in FY92. In the aggregate, there would be a five percent decline in funding for School Improvement Programs, from \$1.58 billion in FY91 to \$1.5 billion in FY92.



- live on federal facilities would be cut slightly, from \$585.5 million in FY91 to \$578.5 million in FY92. Impact Aid is included on the list of programs to be turned over to the states.

EMPLOYMENT AND TRAINING

The Administration's FY92 budget request for the Department of Labor's Employment and Training Administration is \$7.9 billion, a decrease of \$89.9 million from FY91. Included is \$4 billion for programs currently authorized by the Job Training Partnership Act (JTPA).

The Block Grant portion of JTPA, currently funded at \$1.778 billion, would be combined with \$683 million from the summer youth program and the total reorganized through proposed legislation into two programs: \$1.088 billion for adults and \$1.338 billion for youth. This combining and reorganizing of funds would produce a \$35 million reduction in FY92 spending.

The FY92 budget proposes to fund the Dislocated Workers program (EDWAA) at \$527 million, the same as FY91. This amount includes \$50 million for dislocated workers impacted as a result of the Clean Air Act of 1990. Repeal of the Trade Adjustment Act (TAA) program will be proposed effective October 1, 1991.

The budget proposes \$867.5 million for the Job Corps, the same as FY91. It also

seeks \$20 million for construction of two new centers, one in Alabama and one in Kansas.

The budget proposes \$25 million for the Youth Opportunities Unlimited (YOU) program in FY92. This program is currently unfunded.

A cut of \$55.1 million is reflected in the \$750 million requested for the Employment Service in FY92. The Administration proposes an overall increase of \$178 million for the State Unemployment Insurance program, and also proposes a \$100 million supplemental for Unemployment Insurance claims.



ENERGY

The Administration's FY92 budget proposal for the Department of Energy (DOE) is \$18.6 billion, an increase of about one percent over the FY91 budget estimate of \$18.3 billion. The FY91 figure assumes passage of a \$623 million supplemental budget request for that year, submitted with the FY92 budget; this would provide additional funding for environmental restoration and waste management activities, and operational and environmental improvements at Rocky Flats in Colorado.

The proposed budget would cut funds for conservation grant programs to state and local governments, private sector, and nonprofit institutions by 83 percent, from \$277 million in FY91 to \$48 million in FY92. Most of the \$48 million is expected to be offset by recoveries from petroleum overcharges. DOE's budget document notes that states have "substantiated amounts" of petroleum overcharge funds available to them for conservation grant programs.

National Defense

The \$8.06 billion budget request for the atomic energy function of the national defense budget is down from the \$8.13 billion figure for FY91; however, the FY91 amount includes \$283 million of the supplemental budget request. It is important to note that the emergency energy preparedness programs like the Naval Petroleum and Oil Shale Reserves and Strategic Petroleum Reserves were in the national defense category last year but were shifted to the future energy supplies category for FY92.

Future Energy Supplies

This category includes the emergency programs mentioned above; the power marketing administrations; and research in electric energy systems and storage, technologies for fossil fuels, and nuclear

and renewable energy. The funding request for the emergency energy preparedness programs, just shifted to this category, is \$613 million, down from \$662 million in FY91. The remainder of the category is proposed at \$1.8 billion, down from \$2 billion this year. The total request for future energy supplies is approximately \$2.4 billion.

Energy Efficiency

DOE's proposed efforts to increase energy efficiency include national energy conservation and efficiency research in buildings, transportation, and industry. This category includes municipal waste-to-energy systems and other alternative fuel technologies. The FY92 request is \$298 million, up from \$239 million in FY91.

Science and Technology

Science and technology includes research programs in high energy physics, nuclear physics, the superconducting super collider, basic energy sciences, biological and environmental research, and education programs and technology transfer. The FY92 budget request is \$2.7 billion, an increase of \$365 million over the FY91 level.

Environment

This category includes environmental restoration and waste management; environment, safety and health oversight; and nuclear waste disposal. The FY92 budget request is \$437 billion, an increase of \$431 million over FY91.



ENVIRONMENT



Environmental Protection Agency

The Administration proposes \$6.2 billion in budget authority for FY92 for the Environmental Protection Agency, a 1.7 percent increase over the FY91 budget authorization.

For the Wastewater Treatment Grant Program, the budget proposes \$1.9 billion for the Construction Grants Program, a \$200 million reduction from current funding. This includes \$1.5 billion for the State Revolving Funds, and an additional \$400 million for targeted assistance for the secondary wastewater treatment needs of Boston Harbor, San Diego, Seattle, New York, Los Angeles, and the international treatment plant at Tijuana, Mexico. The targeted grants are on a 55 percent cost share basis.

For Superfund, the Administration's budget proposes \$1.75 billion, an increase of \$134 million over FY91. The majority of this increase would cover costs of cleaning up federal facilities.

The single largest area of growth in the EPA budget is in response to new requirements imposed by the Clean Air Act amendments of 1990. The increase, \$117 million, would produce a total of \$511.8 million for Clean Air efforts in FY92.

The Administration requests \$85 million for the Leaking Underground Storage Tank trust fund, a 31 percent increase over FY91.

The proposed budget calls for a cut of \$51 million from the FY91 asbestos program.

The budget proposes an increase of \$1.9 million in the Drinking Water Program to a \$136 million level for FY92.

The FY92 budget calls for a 131 percent increase in EPA's research and development program, from \$25.1 million to \$58 million. The largest growth in the R&D budget would be for Clean Air activities, and would total \$19 million in FY92. Other increases are proposed in research for Great Lakes and Chesapeake Bay. This includes a new Great Lakes research vessel for studying toxic pollutants, especially airborne toxics. Additional agency staff would analyze the economic impact of regulations. There will be a special look at regulatory clustering and its impact on local communities—cities in particular—and on specific industries.

The budget proposal calls for a closer look at special ecosystems, using funds from many areas of the EPA budget. These programs call for \$43 million for the Great Lakes (a 75 percent increase), and \$32 million for wetlands.

EPA's programs include state grants for enforcement and implementation. Total state grants for FY92 would increase \$17 million to a total of \$498 million. Within this total, states would receive \$162.7 million to implement and monitor Clean Air programs, an increase of \$24.4 million. However, states would lose \$26 million from non-point source programs; these would be funded in FY92 at \$24.2 million.



Other Environmental Initiatives

The budget requests an increase of 40 percent to expand and protect National Parks, Wildlife Refuges, Forests, and Public Lands.

The Land and Water Conservation Fund (LWCF) would receive an increase of \$8 million, or two percent, over FY91.

The budget also contains \$15 million in new funding for Battlefield protection. Of this, \$6 million would go to support state and local battlefield sites.

No new funds have been requested for the Urban Park and Recreation Recovery (UPARR) Program. In FY91, Congress appropriated \$20 million for the UPARR Program, the first federal funding in six years for America's urban parks. The program provides direct federal assistance to urban localities for rehabilitation of recreation facilities.

The budget for the Council of Environmental Quality would increase by 64 percent to a total \$1.46 million in FY92. This would be used primarily to bring on additional staff.

FOOD STAMPS AND NUTRITION



The proposed FY92 budget authority for the Food and Nutrition Service is \$30.4 billion, \$2.2 billion above the FY91 current estimate. An increase of \$1.4 billion, or a total of \$19.6 billion, is requested for the food stamp program to meet projected higher demand due to increasing levels of unemployment. Already at a five-year high, with an average of 21.8 million persons estimated to receive food stamps monthly in FY91, participation in the food stamp program is expected to reach 22.4 million in FY92. The proposed budget also includes funding to cover anticipated increases in benefit levels due to higher food costs. According to the Administration, in FY92 the maximum benefit for a family of four would reach \$370 a month, an increase of \$18 over the maximum benefit level of \$352 in FY91.

The Administration is proposing to fund the block grant for Nutrition Assistance for Puerto Rico at \$1 billion, the maximum authorized under law, up from \$963 million in FY91.

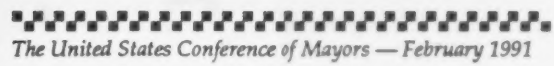
A nine percent increase, or a total of \$2.57 billion, is requested for the Special Supplemental Food Program for Women, Infants, and Children (WIC). The additional \$223 million would allow approximately 175,000 more individuals to participate in the program in FY92. WIC currently serves approximately 60 percent of the eligible low-income pregnant women, new mothers and children up to age five.

Child nutrition programs would be funded at \$6.06 billion, \$487 million more than the FY91 level. Requested funding levels for those programs include:

- \$3.7 billion for the school lunch program (\$230 million more than in FY91);
- \$722 million for the school breakfast program (an increase of \$66 million);
- \$1.2 billion for child and adult care food (an increase of \$184 million); and
- \$196 million for the summer feeding program (\$17 million more than in FY91).

The Administration is proposing changing the formula for subsidizing the cost of school lunch and breakfast by lowering the amount eligible low income children pay for reduced-price meals while increasing the cost for others.

A \$23 million reduction, or a total of \$147 million, is requested for the Temporary Emergency Food Assistance Program (TEFAP) in FY92. An increase of \$3.4 million, or a total of \$85.3 million, is proposed for the Commodity Supplemental Food Program.



The United States Conference of Mayors — February 1991

HEALTH

The Administration's FY92 budget contains several increases for health programs supporting children as part of its "Investing in the Future" theme, as well as increased emphasis on prevention programs, with the notable exception of HIV/AIDS prevention (see AIDS section).

Included in the Administration's emphasis on child health are boosts in funding for family planning and for programs to combat infant mortality and childhood lead poisoning. The massive health programs of the federal government, Medicare and Medicaid, are budgeted at levels significantly below what would be expended under current law.

Childhood Programs

Infant Mortality

Total federal support for infant mortality prevention (including Medicaid outlays) is slated to increase by \$676 million to more than \$5 billion, nine percent over FY91. This effort is intended to be spread across many agencies, including the Health Resources and Services Administration (HRSA) and the Centers for Disease Control (CDC).

The new HRSA initiative, proposed at \$171 million, is targeted to 10 cities "with exceptionally high infant mortality rates." It will:

- examine the social and non-financial barriers preventing pregnant women from receiving the appropriate prenatal and perinatal care for themselves and their infants;
- increase access of high-risk women to care;
- develop targeted treatment programs; and,

- help link eligible women to Medicaid and other income support programs.

A \$34 million portion of the Maternal and Child Health Block grant to states is to be reprogrammed for this purpose. "To get an early start" on the initiative, the Administration plans to reprogram \$57 million from the current HHS budget.

The \$14 million CDC program to help states identify community-specific infant mortality risk factors is budgeted for a \$5 million increase.

Lead Poisoning

Lead poisoning prevention and abatement efforts conducted by the CDC and the Department of Housing and Urban Development are budgeted for a \$33 million increase — a five-fold increase over current federal expenditures, though only a fraction of the billions required for abatement of lead paint problems in all housing.

Immunizations

The FY92 budget request for immunizations is set at \$258 million, a 19 percent, or \$40 million, increase over FY91. With the increase, CDC plans to expand infant outreach demonstrations, assist communities in identifying and eliminating existing barriers, and continue purchasing about 21 million doses of routine childhood vaccine. No FY92 funds are requested for vaccine stockpile, a \$3 million decrease. The budget also requests \$10 million to investigate and evaluate the potential effectiveness of linking eligibility for participation in low-income assistance programs (WIC, Medicaid, AFDC) with documented immunization of young children.

Prevention Programs

The Administration's FY92 budget request contains increases for several

prevention and early detection programs:

- *Breast and Cervical Cancer Prevention* — The budget increases federal support for breast and cervical cancer screening for low-income women and the uninsured by \$141 million, an increase of 52 percent over the FY91 levels.
- *Smoking Cessation* — The budget increases support of smoking cessation programs by \$7 million over FY91 enacted levels, a doubling for CDC's Office of Smoking and Health.
- *Injury Prevention* — The Administration proposes to increase federal support of injury prevention by \$224 million. This 13 percent increase includes a \$218 million increase for the Department of Transportation funding of highway, aviation and maritime safety and injury prevention activities. The budget also includes an additional \$2 million for HHS to develop information campaigns aimed at increasing the use of child safety seats, seat belts, helmets, and other protective equipment and to highlight the role of alcohol in injury prevention among certain high risk groups.
- *Drug Abuse Prevention* — The Alcohol, Drug Abuse and Mental Health Administration (ADAMHA) is budgeted for \$114 million for its Community Partnership Prevention program, a 15 percent increase over FY91. (See section on Drug Control for a more complete discussion of FY92 requests for anti-drug abuse programs, including treatment and the ADAMHA block grant.)

Medicare

The Administration's FY92 budget request for Medicare, the federal health insurance program for people age 65 or older and the disabled, would cut spending by \$2.9 billion in FY92 and approximately \$20 billion over five years. This would be accomplished by major

cuts in payments to physicians and hospitals. In addition, the Administration proposes raising the Part B (medical insurance) premium for individuals with an Adjusted Gross Income over \$125,000. The budget request would also mandate coverage of state and local employees under the system. With the proposed system reforms, the Administration estimates a FY92 Medicare outlay of \$113.7 billion, \$2.9 billion less than the \$116.7 billion which would be spent under current law.

Medicaid

Under the Administration's budget proposal the federal share for Medicaid, the federal-state entitlement health care program for almost 29 million low-income persons, is budgeted for \$59.8 billion in FY92 outlays, an \$8.3 billion increase over FY91, but a \$67 million cut from projected FY92 outlays without legislative changes proposed by the Administration in the budget package. One of the Medicaid legislative proposals the Administration will present to Congress this year would allow each state to relax its eligibility requirements for pregnant women and children.

Other Health Programs

Other health budget requests include a \$12 million increase for minority health education (to \$28 million); flat funding for community and migrant health centers (\$478.2 million and \$51.7 million, respectively); a small increase for sexually transmitted diseases (from \$84.9 million to \$89.5 million); and a cut in the new public housing health services program (from \$3.4 million to \$3 million).

HOMELESSNESS

In FY92, the Administration proposes funding McKinney Act Homeless Assistance Programs at \$776.3 million, an increase of \$76 million (11 percent) above estimated FY91 levels. The budget proposes funding for the Shelter Plus Care program for both FY91 and FY92 and the consolidation of several different McKinney Act programs into an omnibus block grant.

Under the new Shelter Plus Care program, rental assistance and supportive services can be provided to homeless persons with disabilities. No funds were appropriated for it this year. The Administration proposes to fund the program at \$133.3 million in FY91 through an \$80 million supplemental and the transfer of \$11.3 million from the Supplemental Assistance Program and \$24 million from the Section 8 Moderate Rehabilitation (SRO) program. For FY92 the Administration proposes funding of \$257.7 million for Shelter Plus Care.

The budget proposes to transfer the resources from several McKinney Act programs to HUD and to consolidate them under the Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) program. Slated for transfer are the homeless employment and training program administered by the Department of Labor, the homeless adult and elementary and secondary education programs administered by the Education Department and the homeless substance abuse and mental health demonstration

programs administered by the Alcohol, Drug Abuse and Mental Health Administration in HHS. Funding for these programs in FY91 totals \$48.6 million. The SAFAH program is funded at \$11.2 million in FY91. The budget proposes a total of \$57 million in FY92 for these programs, \$2.8 million below the FY91 levels.

Among the other homeless assistance budget proposals:

- Funding for the Emergency Community Services Block Grant Program, funded at \$42 million this year, would be eliminated in FY92.
- Funding for the FEMA Emergency Food and Shelter Program would be cut by one-fourth, from \$134 million in FY91 to \$100 million in FY92.
- Funding for the Health Care for the Homeless program would increase by \$12 million (24 percent) to \$63 million in FY92. The budget also proposes a \$10 million (30 percent) increase in state block grants to provide services to the homeless mentally ill.
- The budget proposes a new \$20 million program to study and provide more effective methods for delivering services to homeless persons suffering from both substance abuse and mental illness.



HUMAN SERVICES

Several human services programs are slated for increases in FY92: Head Start would increase by five percent, Foster Care and Adoption Assistance by 8.8 percent, child welfare services by 33 percent and welfare-related child care by 57 percent. In contrast, the Community Services Block Grant would be eliminated altogether. Low Income Home Energy Assistance would be cut 35 percent and is on the OMB list of programs to be turned over to the states. Among the budget proposals for human services programs:

- An increase of \$100 million (five percent) over the current level is proposed for Head Start, bringing the total budget for this program to \$2.05 billion in FY92. According to the Administration, this would allow the program to serve 633,415 children in FY92, 29,580 more than are being served this year.
- Funding for the new Child Care Block Grant and the Child Care Licensing program is included at FY91 levels, \$732 million and \$13 million respectively. Funding for various child care programs through the family support (welfare) system would increase from \$467 million in FY91 to \$720 million in FY92. The budget estimates that refundable tax credits available to low income working families for child care and other purposes will provide assistance amounting to \$10 billion in FY92, an increase of more than \$3 billion over that being provided in FY91.
- The Community Services Block Grant and related discretionary programs are proposed for elimination in FY92. They are funded at \$436 million in FY91. The budget does request, however, \$11 million in FY92 to maintain support for the

National Youth Sports Program which provides recreational activities and counseling services for low income youths.

- Funds for Low Income Home Energy Assistance would be cut 35 percent, from \$1.61 billion in FY91 to \$925 million in FY92. The budget does include a request for an additional \$100 million for the program which would be made available on a contingency basis to the states if heating oil prices do not continue to decline, as is expected.
- Foster care and adoption assistance would see an increase of \$176 million (8.8 percent) over FY91 levels, bringing the budget for this program to \$2.18 billion in FY92. Funding for child welfare services would increase by one-third, to \$364 million.
- Funding for the Social Services Block Grant would remain at the FY91 level of \$2.8 billion. This program is also on the list of programs to be turned over to the states.
- The Legal Services Corporation would be funded at the current level of \$327.2 million.
- ACTION would receive a \$7.3 million increase over FY91 levels to \$198.6 million in FY92. Most of the increased funding (\$5.8 million) would go to VISTA, Volunteers in Service to America. Funding for the Points of Light Foundation would increase by one-half, from \$5 million in FY91 to \$7.5 million in FY92.



IMMIGRATION AND REFUGEE RESETTLEMENT

Refugee Resettlement

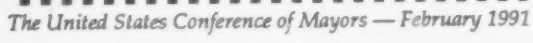
The Administration expects 120,000 refugees to be admitted to the United States in FY92, approximately the same number as in FY91. Funding for the Refugee and Entrant Assistance program is also proposed at the FY91 level of \$411 million. Administered by the Department of Health and Human Services, this program subsidizes states and localities for the cost of providing cash and medical assistance to refugees during their initial months in the United States. It also funds social services for refugees and provides targeted assistance to localities with high concentrations of refugees.

The FY92 budget includes a \$5 million increase, or a total of \$490 million, for the Migration and Refugee Assistance program administered by the State Department. FY92 funding for the U.S. refugee admissions component of the program is proposed at \$192 million, \$20 million less the FY91 level. This

component provides funding for initial resettlement costs related to the admission of refugees and for their processing, English language training and cultural orientation overseas.

Immigration

The Administration is proposing no funding for the State Legalization Impact Assistance Grants program (SLIAG) in FY92. SLIAG was established under the Immigration Reform and Control Act of 1986 to offset the costs incurred by states and localities for providing education, public assistance, and health services to persons granted legal status under that law. A total of \$4 billion was originally appropriated for the program, or \$1 billion for each of four years (FY88-91), which could be spent over seven years (FY88-94). Congress subsequently reduced SLIAG's FY90 appropriations by \$555 million, with a provision that these funds would be restored in FY92.



INCOME SECURITY

Social Security benefits are expected to increase from \$241.97 billion in outlays in FY91 to \$258.87 billion in FY92. Disability benefits would increase from \$27.4 billion in outlays in FY91 to \$29.6 billion in FY92. Supplemental Security Income (SSI) benefits are slated to increase from \$15.6 billion in outlays in FY91 to \$16.1 billion in FY92.

For entitlement programs under the Family Support Administration, the budget proposes outlays of \$11.7 million for Aid to Families with Dependent

Children and related assistance, an increase of \$681 over the FY91 level. Child Support Enforcement would be increased from \$1.18 billion in outlays in FY91 to \$1.3 billion in FY92. Funding for the JOBS program, which provides training and work opportunities to welfare recipients, would increase by one-third, from \$652 million in outlays in FY91 to \$867 million in FY92.

SCIENCE, SPACE AND TECHNOLOGY

Space Research and Technology

The FY92 budget proposes to allocate \$16.5 billion for space activities, with \$15.7 billion for the National Aeronautics and Space Administration (NASA). For NASA, this would be a 13.6 percent increase over the current appropriation of \$13.9 billion.

Two significant initiatives are provided in the FY92 request — a New Launch System jointly developed with DOD to provide a range of cargo capacities including heavy lift, and LIFESAT, a multi-launch recoverable biosatellite which helps to determine radiation protection requirements for long-duration space flight.

Virtually all of the proposed budget—99 percent—is allocated to ongoing programs:

- Space Science, which supports research and development activities in areas of global processes, investigation of the solar systems and life sciences would be increased by 21 percent over the current budget.
- Space Station Freedom, which continues space exploration, would increase by \$128.9 million in FY92 to a total of \$2.03 billion dollars.
- the Space Shuttle, NASA's program for space transportation, would increase to \$879.8 million in FY92.

A 17 percent increase has also been requested for programs that will provide



quality education in math, science, and engineering.

National Science Foundation

The FY92 budget request for the National Science Foundation (NSF) is \$2.7 billion, 17.5 percent above the FY91 appropriation of \$2.3 billion. The NSF's FY92 budget proposes funding for two major components: \$1.96 billion for strengthening the research base and infrastructure, and \$390 million for developing human resources, broadening participation, and improving science and engineering education and training at all levels, with special attention given to the needs of women, minorities and the disabled in science and engineering.

National Institute of Standards and Technology

The FY92 budget request for the National Institute of Standards and Technology (NIST) is \$248 million, an increase of \$32.7 million over FY91. NIST (formerly the National Bureau of Standards) is the nation's primary federal

laboratory and is dedicated to supporting the international competitiveness of U. S. businesses.

The FY92 request includes \$201.8 million for laboratory research and supporting services. \$35.9 million has been proposed for the Advanced Technology Program (ATP) which supports a number of industry-led consortia doing generic, pre-competitive research into promising technologies, and \$10.3 million has been proposed for the Manufacturing Technology Centers (MTC) Program which facilitates the transfer of new and innovative manufacturing technology to small- and medium-sized businesses.

TRANSPORTATION

While the proposed increases in highway, aviation, railroad, and certain mass transit programs provide greater federal investment in these areas, it is important to note that the Administration's proposed surface transportation reauthorization will:

- eliminate transit operating assistance to cities over one million in population;
- consolidate all discretionary and formula programs into one formula capital program;
- reduce the federal share of highway and transit projects; and,
- restrict mass transit subsidies to the amounts derived from the dedicated 1.2 mass transit pennies in the gasoline tax.

Surface Transportation

For FY92, the Administration proposes a highway obligation ceiling of \$15.7 billion. The ceiling for FY91 was appropriated at \$14.5 billion. The Highway Trust Fund surplus remains around \$12 billion. The forthcoming reauthorization proposal calls for:

- a national highway system (150,000 miles to be designated as primary Federal interest, including the 43,000 miles of existing interstate) to be funded with 75 percent federal funds;
- a flexible new urban/rural program that allows trading with all transit programs to be funded with 60 percent federal funds;
- a separate bridge program to be funded with 75 percent federal funds;

- construction of the remaining interstate system (which is 99.2 percent complete) to be funded at the current 90 percent federal level; and,
- miscellaneous programs.

Mass transit funding is proposed to total \$3.3 billion in FY92, up from the \$3.2 billion appropriated in FY91. Operating assistance, which totalled \$802 million in FY91, will be reduced to \$296 million and only available to cities under one million in population. As was proposed last year, all funds (except Washington D.C.'s Metrorail) will be appropriated from the dedicated mass transit account of the Highway Trust Fund.

The \$3.3 billion mass transit total in FY92 would be reached by combining \$1.2 billion generated by the gasoline tax with \$2.1 billion that would be drawn from the surplus in the mass transit account. These surplus monies are projected to supplement the mass transit penny revenues through FY96, and thereby offer slight increases in the total federal investment. After FY96, if no new dedicated funds are authorized for mass transit programs, the federal investment in mass transit will experience a sharp decline.

Other proposed changes in the federal mass transit programs would include:

- the consolidation of Section 3 discretionary rail modernization and bus projects (FY91 level of \$1.2 billion) and Section 9 formula (FY91 level of \$1.7 billion) into one \$2.6 billion formula program for capital projects only;
- a broadening of the definition of operating assistance as an eligible capital expense that incorporates materials and supplies; and,



- decreased monies for new starts.

Research and planning is proposed at \$93 million, an increase of \$85 million over FY91.

Aviation

Total aviation funding would be \$9.3 billion, up from \$7.9 billion in FY91. Airport improvement grants would be \$1.9 billion, up from the \$1.8 billion appropriated in 1991. The proposed increased funding would address continued modernization of the nation's aviation facilities and equipment, expansion of airport capacity, and improvements in operations (450 additional air traffic controllers, 100 aviation safety inspectors, and 260 maintenance technicians and additional security inspectors).

These increases are made possible, in part, because of increased financing authorities that were enacted with the reauthorization of the aviation programs in the last Congress. These include an increase in the passenger ticket tax

from eight percent to 10 percent, and the ability of airports to impose passenger facility charges of up to \$3 per trip for airport capital improvements.

Railroads

For the first time in seven years, the Administration has proposed funding for AMTRAK, although the \$480 million proposed in the Administration's FY92 budget is less than the \$573.6 million that Congress appropriated for AMTRAK in FY91. Of the proposed total, \$150 million would be for AMTRAK capital improvements. While not directly targeted for Northeast Corridor improvements, DOT indicates that it could be spent there.



VETERANS

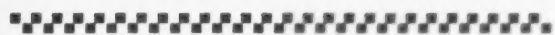


The Administration proposes funding of \$33.24 billion for the Department of Veterans Affairs in FY92, an increase of \$1.16 billion over the FY91 level. Among its proposals:

- Compensation payments to veterans would increase by \$1 billion to \$12.3 billion in FY92. It is estimated that benefits will be paid to some 2.2 million disabled veterans. The budget proposal also includes a request for a 5.4 percent cost-of-living allowance (COLA), effective January 1, 1991. The budget also proposes to index the compensation COLA to the annual change in the Consumer Price Index to assure veterans and survivors automatic cost-of-living increases.
- Funds for health services also would increase by \$1 billion to \$13.3 billion in FY92.
- Funding for readjustment benefits, which provide education and rehabilitation programs, would increase by \$97.3 million to \$635.4 million in FY92.

Veterans job training would increase by two-thirds, from \$15.4 million in FY91 to \$25.7 million in FY92.

- Net funding for the Loan Guaranty Revolving Fund, which extends mortgage credit to veterans for manufactured homes, would decline 56 percent, from \$634.6 million in FY91 to \$277.2 million in FY92. Net funding for the Guaranty and Indemnity Fund, which originates other home loans, would decline 11 percent, from \$83.4 million in FY91 to \$74.2 million in FY92. The budget proposes to make permanent the Guaranty and Indemnity fee structure, which was included in the 1990 reconciliation legislation but is only effective until September 30, 1991. In addition, legislation is proposed to increase the funding fee and require a down-payment on second or subsequent use of the guaranty, and to improve the formula used to determine whether to acquire foreclosed property.



The United States Conference of Mayors — February 1991

NOTES





The United States Conference of Mayors

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